



December 5, 2017

Legislative and Regulatory Activities Division
Office of the Comptroller of the Currency
400 7th Street SW
Suite 3E-218, Mail Stop 9W-11
Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. Robert E. Feldman
Executive Secretary
Attention: Comments / Legal ESS
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Re: Regulatory Capital Rules: Simplification of Provisions for Banking Organizations That Are Not Subject to the Advanced Approaches Capital Rules

Dear Ladies and Gentlemen:

The Management of Eagle Bancorp, Inc. and EagleBank ("Company" or "Bank") appreciates the opportunity to provide comment on the notice of proposed rulemaking ("NPR") to extend the current regulatory capital treatment.

The Company commends the banking regulators for their efforts to mitigate the damaging impact on community banks and their communities of restrictive capital rules implemented through the Basel III capital framework through the proposed "pause" of the full implementation of these regulatory capital deductions, as well as the expectation that the agencies will soon propose the simplification of the capital deductions for these items. However, it is the opinion of the Company that these proposed rules do not go far enough to make meaningful changes to the existing regulatory capital framework in an effort to reduce regulatory burden for community banking institutions.

Under the current Basel III framework, the overly complicated and burdensome efforts related to the regulatory capital calculations require a coordinated institutional effort and a significant amount of time to devise and ultimately report on capital ratios. Under the proposed framework, while there are suggested changes to the current rules, the changes seem to require a similar level of effort and complexity without alleviating any compliance efforts. The Company believes that there is a more

efficient way forward for community banks that maintains the safety and soundness of the nation's financial institution network.

The FDIC Vice Chairman Thomas Hoenig's "Framework for Regulatory Relief" comments from April 2016¹ and the Financial CHOICE Act of 2017² are both blueprints for modified capital rules that achieve prudential regulation and alleviate both burden and complexity. Each plan considers capital requirements, and requires a minimum leverage ratio, but allow for the elimination of a more complex capital framework.

More specifically, we would like to respond to Question 14 from the NPR.

Question 14 of the NPR states and asks:

While the proposed rule addresses comments received during the EGRPRA review regarding the complexity of the risk based capital standards, the agencies seek comment on additional alternatives to simplify and streamline the regulatory capital rules. The agencies recognize the difficulties in achieving simplification of the risk based capital standards, particularly the burden related to their calculation and reporting, and the potential disparate impact to smaller and medium sized banks relative to their GSIB counterparts.

Therefore, the agencies seek comment on whether they should consider a fundamental change to the manner in which banking organizations calculate and comply with minimum capital standards such as through the use of a simple U.S. GAAP based equity to assets ratio (leverage ratio) for non-GSIB banks. If so, what would be the appropriate definition and level for the ratio? Also, what relief should be realized upon implementation of this capital standard relative to changes in the call report and other reporting standards?

In response, we do believe a fundamental change in the calculation and compliance with minimum capital standards is warranted. A simple U.S. GAAP based leverage ratio using the quarterly average shareholder equity with an allowance for loan and lease losses addback (limits in consideration of Current Expected Credit Loss accounting changes) as the numerator and average quarterly assets as the denominator would sufficiently capture the leverage associated with community banking organizations. A minimum level of 10% should allow financial institutions to operate under a more simplified capital requirement and reporting regimen. Institutions that fall below that threshold would be required to report on either or both more comprehensive Basel III and/or Prompt Corrective Action capital requirements.

Making the above suggested changes would allow community banks to focus efforts on funding new projects and supporting growth in their communities. The job-killing provisions of Basel III, including the restrictions placed on quality core banking assets like mortgage servicing rights, were never intended to apply to banking organizations like community banks in the United States. As community-based financial institutions, community banks are true job creators in urban, suburban, and rural locales and continue to act as a pillar of strength for those consumers and small businesses that make up the diverse fabric of our great nation.

¹ <https://www.fdic.gov/news/news/speeches/spapr0616b.html>

² https://financialservices.house.gov/uploadedfiles/hr_10_the_financial_choice_act.pdf

The Company supports the proposed rulemaking to immediately pause the Basel III transition rules that apply to banks with total consolidated assets of under \$250 billion with regard to the treatment of mortgage servicing assets, certain deferred tax assets, investments in other unconsolidated financial institutions, and minority interests. The Company requests that the banking regulators meet their objective of simplifying Basel III for community banks in the forthcoming simplification proposal by exempting all financial institutions with total consolidated assets of \$50 billion or less from all provisions of Basel III. Further, the Company requests that consideration be given to additional regulatory relief in the form of a more simplified capital structure as discussed above.

EagleBank appreciates the opportunity to comment on the proposed rulemaking. If you have any questions or would like additional information, please do not hesitate to contact Charles Levingston at clevingston@eaglebankcorp.com or Michael Flynn at mflynn@eaglebankcorp.com.

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Levingston', with a stylized flourish at the end.

Charles D. Levingston
Executive Vice President, Chief Financial Officer